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SUBJECT: DESPITE IRANIAN GAS CUTS, TURKEY KEEPS THE LIGHTS ON

SENSITIVE BUT UNCLASSIFIED

¶11. (SBU) Summary. In the midst of cold winter weather and snow, Turkey is suffering from reduced gas imports from Iran and Russia. The GOT is taking several measures to assure that power is kept on. In a worse case scenario of bad weather forcing Russia to cut gas supplies to Turkey via the West Line, the GOT would be forced to dip into its gas storage which could maintain current electricity usage for about a month after which black outs would likely occur. High-level officials including Prime Minister Erdogan are engaging with Iran to bring its gas back online for Turkey. End summary.

Natural Gas Cuts from Iran and Russia

¶12. (U) On January 1, 2008, Iran reduced its gas exports to Turkey by 75% and on January 7 cut off gas exports entirely. Press reports claim that Turkmenistan reducing its gas exports to Iran gave Iran no choice but to reduce exports to Turkey, while the January 7 cut was blamed on pipeline dysfunctions due to cold weather. Russia also reduced gas flow through the West Line to Turkey by about 10%, also due to bad weather.

Keeping the Lights On Despite Gas Cuts

¶13. (SBU) According to Energy Ministry Energy Affairs DDG Nilgun Acikalin, the GOT is determined to keep the lights and heat on for households and industry. During a similar gas shortage in the winter of 2007 also caused by a cut from Iran, the GOT was heavily criticized for cutting power to some industrial users. Acikalin said the GOT has taken the following measures to assure gas supply: (1) increased purchase of natural gas from Russia via the Blue Stream pipeline; (2) increased purchase of liquefied natural gas (LNG) from Algeria and Nigeria; and (3) substituted secondary fuels such as gasoline and fuel oil for natural gas in combined cycle power plants where possible. Turkey is also seeking additional LNG sources from the spot market. Acikalin said this reduction in gas supply from both Iran and Russia highlights the importance of Turkey securing diversity of energy resources.

Worse Case Scenario

¶14. (SBU) Acting Energy Under Secretary Selahattin Cimen told the press that the daily gas consumption in Turkey was 120–130 million cubic meters (MCM) per day, and this amount would likely increase to 135 MCM/day in bad weather conditions. Acikalin said the worst-case scenario would be a complete gas cut off from Russia via the West

Line combined with the current cut from Iran. In such a case, Turkey would have enough gas at its storage facility in Silivri (700-800 MCM) to maintain current electricity production for one-two months before black outs would become necessary. Press reports claim that Turkey's gas storage would only suffice for 15-17 days. Acikalin speculated that electricity price increases that took effect January 1, 2008 would probably decrease consumption next month.

Resolving the Problem with Iran

¶15. (SBU) Last week, Cimen traveled to Tehran to discuss the gas export contract with Iranian officials. The Ministry of Energy has not released any results from Cimen's trip. The press reported that Prime Minister Erdogan is also expected to talk to Iran President Ahmedinejad to resolve this problem. (Comment: If the problem with Iranian gas is technical, it's not clear how the PM can be helpful, however if Iran is seeking a higher gas price from Turkey to accommodate Turkmen seeking a higher price from Iran, the PM may be able to negotiate a deal. As Turkey raised industrial and residential prices for electricity January 1, it will be difficult to pass increased gas costs onto the consumer.)

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